



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
UNION COUNTY
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES**

April 14, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES.....	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Larry Joe Jenkins, County Judge/Executive
Honorable James R. Girtten, Union County Sheriff
Members of the Union County Fiscal Court

Independent Auditor's Report

We have audited the Sheriff's Settlement - 1997 Unmined Coal Taxes as of April 14, 1998. This tax settlement is the responsibility of the Union County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Union County Sheriff's taxes charged, credited, and paid as of April 14, 1998 in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Larry Joe Jenkins, County Judge/Executive
Honorable James R. Girten, Union County Sheriff
Members of the Union County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 14, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 14, 1999

UNION COUNTY
JAMES R. GIRTEN, SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

April 14, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 13,755	\$ 9,732	\$ 52,813	\$ 20,372
Omitted Taxes	25,152	12,599	59,143	40,481
Increased Through Erroneous				
Assessments	66	47	253	98
Penalty and Interest	<u>7,899</u>	<u>3,930</u>	<u>16,688</u>	<u>12,763</u>
Gross Chargeable to Sheriff	<u>\$ 46,872</u>	<u>\$ 26,308</u>	<u>\$ 128,897</u>	<u>\$ 73,714</u>
<u>Credits</u>				
Discounts	\$ 71	\$ 50	\$ 272	\$ 105
Exonerations	2,650	1,700	8,846	4,028
Delinquents	2,024	1,181	5,985	3,144
Omitted Penalty and Interest:				
Exonerated	260	130	549	418
Decreased	386	197	1,002	619
Delinquent	<u>352</u>	<u>176</u>	<u>749</u>	<u>565</u>
Total Credits	<u>\$ 5,743</u>	<u>\$ 3,434</u>	<u>\$ 17,403</u>	<u>\$ 8,879</u>
Net Tax Yield	\$ 41,129	\$ 22,874	\$ 111,494	\$ 64,835
Less: Commissions *	<u>1,748</u>	<u>972</u>	<u>4,460</u>	<u>2,756</u>
Net Taxes Due	\$ 39,381	\$ 21,902	\$ 107,034	\$ 62,079
Taxes Paid	38,904	21,762	107,137	61,258
Refunds (Current and Prior Year)	<u>248</u>	<u>128</u>	<u>754</u>	<u>398</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 229</u>	<u>\$ 12</u>	<u>\$ (857)</u>	<u>\$ 423</u>

* and ** See Page 4

UNION COUNTY
JAMES R. GIRTEN, SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES
April 14, 1998
(Continued)

* Commissions:

4.25% on \$ 128,838

4% on \$ 111,494

** Special Taxing Districts:

Library District	\$	(55)
------------------	----	------

Health District		15
-----------------	--	----

Extension District		52
		<hr/>

Due Districts or (Refund Due Sheriff)	\$	<u>12</u>
---------------------------------------	----	-----------

The accompanying notes are an integral part of the financial statement.

UNION COUNTY
NOTES TO FINANCIAL STATEMENT

April 14, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of April 14, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

UNION COUNTY
NOTES TO FINANCIAL STATEMENT
April 14, 1998
(Continued)

Note 3. Property Taxes

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 19, 1997 through March 27, 1998. The net tax yield of \$240,333 on the 1997 Unmined Coal financial statement includes \$161,807 omitted unmined coal taxes for fiscal years 1989 through 1993.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Joe Jenkins, County Judge/Executive
Honorable James R. Girtten, Union County Sheriff
Members of the Union County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Union County Sheriff's Settlement - 1997 Unmined Coal Taxes as of April 14, 1998, and have issued our report thereon dated July 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Union County Sheriff's Settlement - 1997 Unmined Coal Taxes as of April 14, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Union County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Larry Joe Jenkins, County Judge/Executive
Honorable James R. Girtten, Union County Sheriff
Members of the Union County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 14, 1999

